

Financial results media conference

Infrastructures create added value for traffic relocation

Zurich, 15.5.2013 A powerful, state-of-the-art freight corridor via Gotthard compensates a major part of the operational contributions for combined traffic required today. In combination with new large-scale terminals in Switzerland, the NEAT line is able to bring further traffic volumes of maritime and continental traffic to the tracks.

Completion of the Gotthard track ensures quantifiable benefit for Switzerland

Flat track, long passing loops, sufficient route profile: if these three infrastructural prerequisites for the Gotthard corridor are present, an annual benefit of CHF 135 million can be achieved for combined operators, railway companies and infrastructure providers. This is the result of a master thesis¹ developed on behalf of the Cargo Forum Schweiz association. The required infrastructure extensions comprise the NEAT, extension of the passing loops, and the 4-metre corridor. The aggregated benefit of these three measures corresponds to 75% of the operational contributions the federal government grants to combined traffic each year.

The construction of the 4-metre corridor, the decision concerning which will be made by parliament in the next few months, is a worthwhile project from an economic point of view. And economic added value is particularly high for the Luino line. "Abandonment of the adaptation for this highly frequented route will result in a value-destroying scenario for the overall investment of the 4-metre corridor," explained Hans-Jörg Bertschi, president of the Hupac Ltd board of directors, on the occasion of the balance sheet press conference in Zurich. Pre-financing of the construction work in Italy is necessary in order to make use of the potential added value as soon as possible. It's essential that negotiations regarding the implementation of the 4-metre corridor on the Luino and Chiasso lines continue as top priority. Bertschi: "In the absence of an adaptation of the routes up to the terminals in Italy, benefits fail to be maintained along the entire traffic corridor."

Large-scale terminals: broad concentration function, neutral operation

The planned large-scale terminals Basel-Nord and Zürich Limmattal open-up new perspectives for combined traffic. From Hupac's point of view, the loading and unloading plants should adopt a concentration function on the north-south axis that is as broad as possible, also regarding the opening of the NEAT and the impending extension of the Ligurian ports. The terminals must be designed both for maritime and continental traffic as is usual in the large European hinterland terminals. This way, valuable synergies are leveraged, since the Swiss combined import/export traffic is for a large part continental. Equipping the plants for swap bodies and semitrailers is a must. Objectives must be to concentrate the largest possible volumes, in order to guarantee economic operation of the plants and, on the other hand, to allow the formation of block trains for the efficient forwarding of traffic on the territory. The new terminals must be integrated conclusively into an overall concept. "If Switzerland is to build a 4-metre corridor for rail transportation of articulated trailers, the

¹ "Quantifizierung des Nutzens für den Bahngüterverkehr bei einem Vollausbau der Gotthardstrecke", master thesis written by Jan Arnet and Renée van der Velde Zbinden, University of Lucerne, on behalf of Cargo Forum Schweiz, April 2013, www.cfs.ch

large-scale terminals must also be able to tranship these,” says Bertschi. Limiting the road traffic to and from the terminal is problematic and has negative consequences for the competitiveness of combined traffic.

Private business aspects should be of major importance to the organising institution and operators of the future large-scale terminals. The future operator should be involved in the project-planning phase already today, because an optimised, economically sustainable layout is decisive for efficient operation. Hupac supports a mixed organising institution regarding the terminals, involving all decisive stakeholders.

Comprehensive rail freight: focus on economic viability

By means of the “Rail traffic on the territory” bill, submitted to the legislative process through consultation in April, the federal government newly designs boundary conditions for import/export traffic. Hupac welcomes equal consideration of freight traffic during the planning phase and advocates the principle of economic viability. Start-up financing of new rail products by the federal government must however be called into question. There is a risk of market distortion and cannibalisation of existing offers. From an international perspective, this type of financing concept has not proved successful. The planned new financial assistance of non-economically viable regional rail freight by a joint effort of cantons and the federal government must be critically assessed. It creates new subsidy facts and reinforces the bottlenecks along the rail infrastructure in agglomerations. Only the support of geographically handicapped peripheral regions would be reasonable.

Traffic development

Hupac carried 646,214 road consignments (1.3 million TEU) in unaccompanied combined transport in the financial year 2012. Hupac's customers thus reduced the burden on Europe's roads by 2,800 HGV journeys per day, making a significant contribution to sustainable and eco-friendly freight transport. The volume of traffic achieved represents a decrease of 10.7% from the previous year. The main reason for the negative traffic development is weak demand for transport services as a result of the current economic crisis in Europe and particularly in Italy. Traffic through Switzerland was put under additional strain by three total closures of the Gotthard line lasting 40 days in all. Further restrictions were imposed by construction work on the Lötschberg/Simplon axis. Overall, the route via Switzerland recorded a 11,9% reduction in consignments, around half of which was due to the line closures.

In transalpine traffic via Austria, Hupac achieved a growth of 0.7%. This was particularly due to the efficient 4-metre corridor for the transportation of P400 semi-trailers. Hupac was able to strengthen its market position in this segment. There was a reduction of 20.1% in non-transalpine import/export traffic. As a result of the negative economic environment, Hupac was forced to make a capacity adjustment and consolidate its services between the western ports and Switzerland. The transport axes Benelux/Germany ⇄ Poland/Russia, Benelux/Germany ⇄ Austria/Hungary/Romania and Benelux ⇄ Spain also saw the introduction of consolidation measures and the adjustment of operational concepts.

Satisfactory annual result

Due to the decline in volume in the year under review, the turnover decreased by 7.8% to around CHF 454.5 million. Thanks to a rigid cost management, the Group achieved a satisfactory operating profit of CHF 4.4 million (+65.6%). The cash flow as of year's end was CHF 47.5 million, which represents an increase of 1.2%. Investments in tangible fixed assets amounted to CHF 33.3 million and were primarily related to the

purchase of rail wagons, the completion of the Busto Arsizio-Gallarate terminal and the building of the wheel-set refurbishing centre of Busto Arsizio.

Outlook

For the current financial year until 2013, Hupac expects the recessive phase to continue, particularly regarding the traffic with Italy. However, Hupac continues to develop its business. Regarding the segment of 4 metre trailers in Alpine transit, Hupac already today offers a dense network with approx. 130 shuttle trains per week via Lötschberg and Brenner Pass. The traffic to Poland, Russia, and the Far East was repositioned at the beginning of the year and designed more efficiently in accordance with the concept of end-to-end traction responsibility via Poland and Lithuania. In the field of Romanian traffic, it was possible to connect Ploiesti near Bucharest to the network. Ultimately, Hupac offers a first link on the European freight traffic corridor 5 with the shuttle Busto-Barcelona.

Profile of the Hupac Group

Hupac is the leading combined transport operator through Switzerland and one of the market leaders in Europe. The company works to ensure that an increasing volume of goods can be transported by rail and not by road, thus making an important contribution to modal shift and environment protection.

Hupac operates a network of 100 trains each day between Europe's main economic areas. In 2012, the traffic volume was around 646,000 road consignments. The Hupac Group employs around 410 employees in 13 companies with locations in Switzerland, Germany, Italy, the Netherlands, Belgium, Denmark, Poland and Russia.

Hupac was founded in 1967 in Chiasso. The company has 100 shareholders. The share capital amounts to CHF 20 million; 72% of this belongs to logistics and transport companies, while 28% is held by rail companies, thus guaranteeing closeness to the market und independence from the railway companies.

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